



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

July 30, 2009

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From: William T Fujioka
Chief Executive Officer

SACRAMENTO UPDATE

State Budget Update

On July 28, 2009, Governor Schwarzenegger signed ABX4 1, the Omnibus Budget Bill, and 27 budget trailer bills which revise the FY 2009-10 State Budget enacted in February 2009 to resolve the \$24.1 billion State budget deficit. The revised budget includes \$16.1 billion in reductions, falling most heavily on education, health and human services, and corrections programs. The remaining \$8.0 billion in budget deficit solutions is achieved through a combination of fund shifts, revenue increases and borrowing, with no new taxes. The revised budget includes a reserve of \$500.0 million. Additional reductions to the California Department of Corrections and Rehabilitation budget of over \$600 million will be addressed when the Legislature reconvenes from the summer recess in August.

The Administration expects a recovery in the State's fiscal condition to begin in the coming months; however, the recovery will not be as robust as in past years. As a result, Mike Genest, State Director of Finance, projects a deficit of \$7.0 billion to \$8.0 billion at the start of FY 2010-11, and larger deficits in the out years.

The Governor used his line-item veto authority to reduce spending by an additional \$489.0 million. The majority of the veto reductions, \$394 million, occurred in health and human services programs. Assembly Speaker Karen Bass expressed her strong disappointment in the Governor's vetoes which she indicated will dismantle the State's

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safety net programs for children and the elderly and will have catastrophic effects on the State's most vulnerable citizens. The Speaker has asked the Legislative Counsel to review the Governor's vetoes and to provide an opinion on the legality of his actions. Senate President pro Tempore Darrell Steinberg also questioned whether the majority of the Governor's vetoes were legal, noting that the Governor had the right to blue-pencil a new appropriation, but not existing funding levels. Senator Steinberg vowed to restore these additional reductions to health and human services programs.

Estimated County Impact

As reported in our July 28, 2009 Sacramento Update, the impact of the Legislature's approved budget package was an estimated \$189.7 million loss to the County. Based on our review of the Governor's line-item vetoes and additional analysis of the budget approved by the Legislature, **we estimate that the impact on the County will increase by an additional \$83.1 million to an estimated overall County loss of \$272.8 million.** The difference is primarily attributable to the additional losses of:

Estimated Impact	Governor's Line-Item Vetoes
\$ 36.0 million	Reduction to County Medi-Cal Administration funding
\$ 17.5 million	Reduction to Title IV-E Capped Allocation Waiver
\$ 13.5 million	Elimination of HIV/AIDS Programs
\$ 13.5 million	Reduction to the Healthy Families Program
\$ 1.3 million	Reduction to the Maternal, Child and Adolescent Health/Black Infant Health Program
\$ 1.4 million	Reduction to Child Welfare Services Administration
\$ 1.1 million	Elimination of Community-Based Services Programs
\$ 0.036 million	Suspension of the Williamson Act Open Space Subventions

The attached chart, which illustrates the overall estimated impact on the County, has been updated to reflect adoption of the FY 2009-10 Revised State Budget.

Estimated Impact of the Governor's Line-Item Vetoes to the County

In his veto message, the Governor indicated that his actions were necessary because the budget measures passed by the Legislature failed to address the entire budget deficit. The following includes the Governor's line-item vetoes of interest to the County.

General Government

Williamson Act Open Space Subventions. As reported in the July 28, 2009 Sacramento Update, the Legislature reduced subventions to local governments under the Williamson Act, for a State General Fund savings of \$6.9 million. The Governor vetoed an additional \$28.0 million from the Williamson Act, effectively suspending the program. **The Agricultural Commissioner/Weights and Measures indicates that this reduction will result in an estimated loss of approximately \$36,000 to the County.**

Health

Healthy Families Program. As reported in the July 28, 2009 Sacramento Update, the Legislature reduced the Healthy Families Program (HFP) budget by \$124.0 million in State General Fund support. The Governor vetoed an additional \$50.0 million from the HFP budget. **The Department of Health Services indicates that those children no-longer-eligible for HFP coverage are likely to be eligible for Medically Indigent Medi-Cal with a share of cost; however, there is insufficient information to determine the cost of this proposal.** The Department of Public Health (DPH) notes that currently nearly one million children are enrolled in the HFP statewide and over one-third of all HFP enrollees are from Los Angeles County. **A wait list has been imposed for HFP which will deny health care coverage to at least 84,000 Los Angeles County children and at least another 100,000 currently enrolled children would be likely to lose coverage from November 2009 through June 2010. It is not possible to determine how many children currently enrolled in HFP are receiving California Children's Services (CCS) assistance. The HFP CCS program is entirely State and Federally funded, with no County share of cost. Children disenrolled from HFP CCS would very likely become eligible for straight CCS with a 50 percent County share of cost. DPH's preliminary estimate suggests that the shift to straight CCS could result in additional County costs of \$13.5 million.**

Public Health

HIV/AIDS Programs. As reported in the July 28, 2009 Sacramento Update, the Legislature reduced the AIDS Drug Assistance Program and other Office of AIDS Programs to achieve \$35.0 million in State General Fund savings. The Governor vetoed an additional \$52.1 million from several key programs administered by the State Office of AIDS, including Education and Prevention, Therapeutic Monitoring, Counseling and Testing, Early Intervention, Home and Community Based Care, and Housing. This action effectively eliminates all State General Fund support for HIV/AIDS programs with

the exception of some funding for the AIDS Drug Assistance Program. **DPH indicates that this action would result in an estimated total loss of \$13.5 million to the County and local agencies with which the County partners to provide services.** This may result in the loss of 22 to 28 positions in the Department, including nursing and other professional positions, health education, and administrative staff. DPH estimates the loss to AIDS Education and Prevention programs to be \$5.3 million, which would be likely to result in the reduction or elimination of some Health Education/Risk Reduction contracts. The County's contracted providers would lose approximately \$3.0 million in vouchers for the Therapeutic Monitoring Program, which may result in the loss of two positions in the DPH laboratory. County agencies would lose approximately \$2.0 million from the Home and Community-Based Care program. The County would lose \$2.09 million in Early Intervention Program funding, and \$1.10 million in HIV Counseling and Testing funding. Although the State receives Federal funding for HIV counseling and testing, it is unclear if any of this funding will be available to local jurisdictions.

Maternal, Child, and Adolescent Health/Black Infant Health Program. As reported in the July 28, 2009 Sacramento Update, the Legislature reduced the Black Infant Health Program by \$900,000 in State General Fund support. The Governor vetoed an additional \$3.0 million from the program. **DPH estimates that this reduction will result in an estimated loss of \$776,000 from State General Fund support and an additional \$537,000 in Federal funding, for a total loss of approximately \$1.3 million for the County's Black Infant Health Program.** The reduction would be likely to cause the elimination of one DPH management position, three or four of the five subcontracts with community based organizations that provide prenatal outreach services to high risk African-American women and infants, and the loss of 24 jobs in the community. Services to approximately 671 clients would be eliminated resulting in an increase in infant mortality and an increase in the disparity in health outcomes between African-Americans and other ethnicities in Los Angeles County.

Social Services

Medi-Cal Administration Funding. The Governor reduced State funding for Medi-Cal administration by \$60.5 million. **The estimated loss to the County is \$36.0 million.**

Title IV-E Capped Allocation Waiver. The Governor reduced State funding to Los Angeles and Alameda Counties for the Title IV-E Capped Allocation Waiver by \$19.0 million. The County will continue to receive Federal Title IV-E funds. **The estimated loss to the County is \$17.5 million.** Of this total, the reduction to the Department of Children and Family Services is \$17.3 million; the reduction to the Probation Department is \$0.2 million.

Child Welfare Services Administration. The Governor reduced State funding for Child Welfare Services Administration by \$80.0 million. **The estimated loss to the County's non-waiver programs is \$1.4 million.**

Elimination of Community-Based Services Programs. The Governor eliminated Community-Based Services Programs which provides funding for Alzheimer's Day Care Resource Centers and the Linkages Program effective October 1, 2009. **The estimated loss to the County is \$1.1 million.**

According to the Department of Community and Senior Services, elimination of these programs would result in the loss of critical services for over 2,500 individuals as described below.

Alzheimer's Day Care Resource Centers. These centers provide services to help frail elderly and disabled adults with dementia remain in their homes and reduce the need for costly out-of-home care. The program also provides case management and links individuals and their families to supportive services such as transportation, meals, in-home care, housing assistance, and adult day care to give respite to caregivers.

The Linkages Program. This program provides services to help frail elderly and disabled adults remain in their homes and reduce the need for more costly out-of-home care. The program provides care management and links individuals and their families to supportive services such as transportation, meals, in-home care, housing assistance, and adult day care programs.

In-Home Supportive Services (IHSS) Services. The Governor reduced State funding for IHSS services by \$28.9 million statewide for IHSS consumers' recipients exempted from service reductions enacted in the revised budget because they receive protective supervision or paramedical services or they are authorized to receive over 120 hours of services per month. In his veto message, the Governor indicated that the reduction was necessary to maintain Federal financial participation. However, the legality of the Governor's actions have been questioned. The Department of Public Social Services and this office will continue to assess this issue and provide your Board with more details as they become available.

Environment and Natural Resources

State Parks System. As reported in the July 28, 2009 Sacramento Update, the Legislature reduced State General Fund support for the State parks by \$8.0 million. The Governor vetoed an additional \$6.2 million, for a total reduction of \$14.2 million in FY 2009-10. It is expected that this would result in the closure of more than 100 State

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parks, which the California Department of Parks and Recreation (CDPR) would identify once it has completed a full assessment of its remaining resources. According to media reports, the CDPR would look at several factors to determine which State parks would be subject to closure, including what kind of revenue the park facilities generate and whether sponsors and/or partners can be found among local governments, private organizations, non-profits and individuals to keep them open.

Revised FY 2009-10 State Budget Additional Estimated County Impacts

As reported in the July 28, 2009 Sacramento Update, the budget approved by the Legislature included elements which would impact the County. We were unable to determine County impact at that time. Based on information subsequently received this office has determined the fiscal impact of the issues below.

Disproportionate Share Hospitals (DSH). The Legislature adopted the May Revision proposal to reduce payments to private Disproportionate Share Hospitals by 10 percent (\$18.4 million State General Fund savings). **The Department of Health Services estimates that the reduction of payments to private DSH hospitals will result in a loss of \$6.0 million to the Department.** This is a preliminary estimate pending the outcome of a statewide model to determine the impact to public hospitals, which is still in process. The loss for public hospitals occurs because a reduction in DSH funding for private hospitals results in private hospitals accessing more Safety Net Care Pool (SNCP) funds, which reduces SNCP funds available to public hospitals.

Additional CalWORKs Reduction. The Legislature reduced statewide funding for the CalWORKs Program by \$153.0 million in addition to the \$375.0 million reduction to the CalWORKs Single Allocation. The reduction assumes savings in CalWORKs cash grants and the shift of Federal funds to the State General Fund. There is no direct reduction to the County's CalWORKs Single Allocation.

We will continue to keep you advised.

WTF:RA
VE:IGEA:sb

Attachment

c: All Department Heads
Legislative Strategist

**ESTIMATED IMPACT TO LOS ANGELES COUNTY
FROM THE FY 2009-10 REVISED STATE BUDGET**

Programs:	Governor's May Revision Proposals	Budget Conference Committee (BCC)	Final Legislative Budget ⁽¹⁾	Adopted Revised Budget ⁽¹⁾
<u>Health</u>				
Medi-Cal Eligibility for Legal Immigrants	(1,100,000)	0	0	0
Healthy Families Program Reduction	(1,500,000)	0	0 ⁽²⁾	(13,500,000)
Disproportionate Share Hospitals	--	--	--	(6,000,000)
<u>Public Health</u>				
HIV/AIDS Treatment and Prevention	(5,890,000)	(5,700,000)	(3,700,000)	(13,500,000)
Alcohol and Other Drug Programs/Drug Medi-Cal Program	(3,900,000)	(7,100,000)	(7,100,000)	(7,100,000)
Proposition 36 Program/Offender Treatment Program	(27,000,000)	(22,100,000)	(22,100,000)	(22,100,000)
Maternal, Child and Adolescent Health Program Reductions	(1,366,000)	? ⁽²⁾	(597,000)	1,300,000
CalWORKs Substance Abuse Programs Funding Loss	(16,400,000)	0	0	0
<u>Mental Health</u>				
Mental Health Managed Care Program	(21,000,000)	(21,000,000)	(36,000,000)	(36,000,000)
Mental Health Services Act (Proposition 63) Funds	0 ⁽³⁾	--	--	--
Early Periodic Screening, Diagnosis and Treatment Funds	(7,000,000)	0	0	0
Elimination of the Healthy Families Program	(10,000,000)	0	0	0
CalWORKs Mental Health Services Funding Loss	(24,400,000)	0	0	0
Deferral of AB 3632 Program Payments	(12,400,000)	(12,400,000)	(12,400,000)	(12,400,000)
<u>Social Services</u>				
Reduced State Participation in IHSS Wages	26,100,000	0	0	0
IHSS Program - Reduction of Recipient Services	200,000,000	10,800,000	10,800,000 ⁽⁴⁾	10,800,000 ⁽⁴⁾
Medi-Cal Administration Funding	--	--	--	(36,000,000)
CalWORKs Program Reform & Safety Net Proposals	(27,200,000)	0	0	0
CalWORKs Program Elimination	(389,800,000)	0	0	0
CalWORKs Single Allocation Loss from Program Elimination	(585,200,000)	0	0	0
CalWORKs Single Allocation Projected Reduction	0	(53,300,000)	(114,200,000) ⁽⁵⁾	(114,200,000) ⁽⁵⁾
CalWORKs Caseload Adjustment	0	131,000	131,000	131,000
Cash Assistance Program for Immigrants (CAPI)	(10,300,000)	0	0	0
Child Welfare Services Administration	(14,300,000)	0	0	(1,400,000)
Title IV-E Capped Allocation Waiver	--	--	--	(17,500,000)
Foster Care and Group Home Provider Rate Reductions	13,400,000	12,300,000	12,300,000	12,300,000
Adoptions Assistance Payments	0	100,000	100,000	100,000
Redirection of Sales Tax Realignment Funds	(234,706,000)	0	0	0
Elimination of Community Based Services Programs	(1,100,000)	(379,000)	(379,000)	(1,100,000)
Reduction in Transitional Housing Program Plus Funds	0	(314,000)	(314,000)	(314,000)
<u>Justice and Public Safety</u>				
Judicial Branch Reductions - Sheriff's Department Impact	0	0	(12,600,000)	(12,600,000)
<u>General Government</u>				
Suspension of SB 90 Mandate Claims	(16,853,000)	(28,577,000)	(3,700,000) ⁽⁶⁾	(3,700,000) ⁽⁶⁾
Subventions for Open Space (Williamson Act)	(36,000)	(36,000)	(7,000)	(36,000)
Reduction of Local Share of Gasoline Taxes - Public Works	(109,000,000)	(109,000,000)	0 ⁽⁷⁾	0 ⁽⁷⁾
TOTAL	(\$1,280,951,000)	(\$236,575,000)	(\$189,766,000)	(\$272,819,000)
		Variance from BCC	\$46,809,000	(\$36,244,000)

Notes:

- (1) Estimated County impact does not include the State borrowing of \$301.9 million from the County General Fund and \$59.0 million from Special District Funds.
- (2) There is insufficient information to assess the County impact of this proposal.
- (3) There is no impact because voters rejected Proposition 1E which would have redirected Mental Health Services Act monies to fund State mental health costs.
- (4) This results in net County cost savings because of reduced IHSS recipient services.
- (5) Impact is based on the \$375 million statewide reduction to the CalWORKs Single Allocation. It does not account for the proposed May Revision increased allocation.
- (6) Estimate is based on FY 2007-08 SB 90 Mandate Claim amounts excluding law enforcement, Open Meeting Act, and election reimbursement claims.
- (7) The proposal to reduce the local share of gasoline taxes was part of the FY 2009-10 Final Budget Agreement but it died in the Assembly Floor on July 24, 2009.

This table represents the estimated loss/gain of State funds based upon the May Revision, Budget Conference Committee, Final Legislative and Adopted Revised Budget. It does not reflect the actual impact on the County or a department which may assume a different level of State funding or an offset of lost revenue.